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March 5, 2004

VIA HAND-DELIVERY

The Honorable Bruce Duke
Executive Director
South Carolina Public Service Commission
101 Executive Center Drive (29210)
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: South Carolina Pipeline Corporation – Annual Review of the Purchased Gas Adjustments and Gas Purchasing Policies
Docket No. 2004-6-G

Dear Mr. Duke:

Enclosed for filing is South Carolina Pipeline Corporation's Responses to the Commission Staff's Data Requests (Set No. 1) dated February 17, 2004, in the above-referenced matter. Please accept ten (10) copies for filing. I would greatly appreciate it if you would acknowledge your receipt of these documents by date-stamping the extra copy that is enclosed and return it to me via our courier.

By copy of this letter, we are serving all parties of record and attach a certificate of service to that effect. If you have any questions concerning this matter, please do not hesitate to contact us.

Sincerely,

WILLOUGHBY & HOEFER, P.A.

K. Chad Burgess

K. Chad Burgess

KCB/swh
Enclosures

cc: Elliot F. Elam, Esquire (via first-class mail)
Stephen J. Karina, Esquire (via first-class mail)
Scott Elliott, Esquire (via first-class mail)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2004-6-G

IN RE:	)	
	)	
Annual Review of the Purchased Gas Adjustments (PGA) and Gas Purchasing Policies of South Carolina Pipeline Corporation.	))))	**CERTIFICATE OF SERVICE**
	)	
______________________________	)	

This is to certify that I, an employee of the law firm of Willoughby & Hoefer, P.A., on behalf of South Carolina Pipeline Corporation, have served this day one copy of **South Carolina Pipeline Corporation's Responses to the Commission Staff's Data Requests (Set No. 1) dated February 17, 2004**, upon the persons named below, at the addresses set forth, by deposit in the United States mail, first class postage prepaid:

Elliott F. Elam, Jr., Esquire
SC Department of Consumer Affairs
3600 Forest Drive
PO Box 5757
Columbia, SC 29250-5757

Stephen J. Karina, Esquire
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson Street, NW
Eighth Floor, West Tower
Washington, DC 20007

Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205

Susan Hauptmann
Susan Hauptmann

March 5, 2004
Columbia, South Carolina

SOUTH CAROLINA PIPELINE CORPORATION
PSC DATA REQUEST NO. 1
DOCKET NO. 2004-6-G

1-1. Provide the daily contracted for quantity of gas the Company has contracted for with its supplier at November 2002 and 2003.

Response:

Prior to the beginning of the winter heating season, South Carolina Pipeline Corporation ("SCPC") typically enters into firm long-term contracts with natural gas suppliers for its gas supplies. These contracts are for varying amounts of flowing gas and have varying expiration dates. At November 2002, SCPC had entered into thirteen (13) firm long-term contracts with natural gas suppliers for its gas supplies for the 2002 – 2003 winter heating season. Under these contracts, SCPC had contracted for a total daily quantity of gas supplies in the amount of 172,000 dekatherms.

At November 2003, SCPC had entered into eighteen (18) firm long-term contracts with natural gas suppliers for its gas supplies for the 2003 – 2004 winter heating season. Pursuant to these contracts, SCPC had contracted for a total daily quantity of gas supplies in the amount of 192,000 dekatherms.

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1-2. Identify any other sources of gas relied upon by the Company to meet its firm customer demand requirements.

Response:

The only source of natural gas supply is at the wellhead, and natural gas wells generally produce natural gas at a constant rate year-round. After purchasing a supply of wellhead gas, SCPC typically transports some of its gas supply to storage facilities for later use.

SCPC stores its gas supplies in the following storage facilities:

1. Southern Natural Gas Company's Contract Storage Service;

2. Transcontinental Gas Pipe Line Company's Washington Storage Service, Eminence Storage Service, General Storage Service, and Liquefied Natural Gas Storage Service; and

3. SCPC's on-system liquefied natural gas facilities located at Bushy Park, near North Charleston, and at Salley, located in Orangeburg County.

The storage facilities normally operate on an annual cycle in which storage is filled during the summer months, and withdrawn during the winter months. If necessary, SCPC possesses the ability to withdraw gas from these storage facilities and inject it into its system during periods of high demand as well as for balancing purposes on a daily basis.

In addition to relying upon the above-stated storage facilities, SCPC will sometimes make spot gas purchases, if necessary. SCPC purchases spot gas from approximately thirty (30) different natural gas suppliers, and these spot gas purchases are made in order to supplement SCPC's existing gas supply particularly when the weather is colder than normal.

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1-3. Provide an analysis describing in detail how South Carolina Pipeline Corporation develops its firm customer demand requirements.

> **a. Provide using the analysis requested above what the company's forecasted customer demand requirements for the 2003-2004 winter period are and the forecast for the 2004-2005 winter period.**

Response:

For this analysis, SCPC's firm sales are comprised of five (5) categories:

1. South Carolina Electric & Gas Company ("SCE&G");
2. other resale customers;
3. industrial customers;
4. Patriots Energy Group ("PEG")[1]; and
5. the City of Orangeburg ("City of Orangeburg").

Firm customer demand requirements for SCE&G, other resale customers, and industrial customers are modeled separately from PEG and the City of Orangeburg. When developing its firm customer demand requirements for SCE&G, other resale customers, and industrial customers, SCPC utilizes two multiple regression equations; one equation is based on normal winter weather patterns and the other equation is based on normal summer weather patterns. These multiple regression equations correlate SCPC's firm customer demand requirements with daily weather and other various indicator variables, thereby assisting SCPC in developing its firm customer demand requirements for SCE&G, other resale customers, and industrial customers.

As for PEG and the City of Orangeburg, SCPC includes supplemental information to the analysis stated above because PEG and the City of Orangeburg operate under experimental Resale Firm Transportation ("RFT") contracts. In addition to the methodology used to develop firm customer demand requirements for SCE&G, other resale customers, and industrial customers, SCPC also takes into consideration the terms and conditions of the RFT contracts when developing its firm customer demand requirements for PEG and the City of Orangeburg.

a. Commission Staff's Data Request Number 1-3a requests that SCPC provide its forecasted customer demand requirements for the 2003 – 2004 winter period as well as the 2004 – 2005 winter period. SCPC's models do not forecast customer demand requirements based upon the winter periods set forth in this Data Request (i.e. November 2003 – March 2004, and November 2004 – March 2005). SCPC's models forecast customer demand requirements based

[1] PEG is a consortium formed by Chester County Natural Gas Authority, Lancaster County Natural Gas Authority, and York County Natural Gas Authority

upon a single, calendar year beginning with the month of January, and concluding with the month of December. Therefore, SCPC's response to Data Request Number 1-3a only includes forecasted customer demand requirements for the 2004 winter period (which is defined by SCPC's models as January, February, March, November, and December 2004) and the 2005 winter period (which is defined by SCPC's models as January, February, March, November, and December 2005).

For the 2004 winter period, SCPC's models projected combined firm customer demand requirements of 33.4 million dekatherms for SCE&G, other resale customers, and industrial customers. As for the 2005 winter period, SCPC's models projected combined firm customer demand requirements of 33.6 million dekatherms for SCE&G, other resale customers, and industrial customers.

For PEG and the City of Orangeburg, SCPC's models projected combined firm customer demand requirements of 7.5 million dekatherms for the 2004 winter period. For the 2005 winter period, SCPC's models projected combined firm customer demand requirements of 7.49 million dekatherms for PEG and the City of Orangeburg.

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1-4. Provide for the test period the firm peak day requirements experienced for each month.

Response:

Listed below for each month is the date of the firm peak day experienced and the amount of gas utilized by SCPC's firm customers.

MONTH	FIRM PEAK DAY REQUIREMENTS EXPERIENCED (Dts)
January 17, 2003	404,839
February 17, 2003	391,074
March 31, 2003	291,563
April 10, 2003	329,305
May 1, 2003	180,197
June 19, 2003	170,790
July 8, 2003	164,263
August 14, 2003	173,656
September 2, 2003	155,327
October 29, 2003	162,029
November 29, 2003	280,811
December 20, 2003	359,786

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1-5. Provide documentation to support that the price South Carolina Pipeline Corporation pays for the gas it purchases from its suppliers, both Commodity and Demand are competitive with the market and prudent.

Response:

SCPC contracts for interstate pipeline transportation capacity on a firm basis with Southern Natural Gas Company ("Southern Natural") as well as Transcontinental Gas Pipe Line ("Transco"). Therefore, the Federal Energy Regulatory Commission ("FERC") regulates the rates that both Southern Natural and Transco charge SCPC for transportation services.

Pursuant to its contracts with Southern Natural, SCPC pays a demand charge to Southern Natural for firm transportation service in accordance with the Settlement Rates Firm Transportation Services ("FT") rate schedule and the Settlement Rates Firm Transportation Services – No Notice ("FT-NN") rate schedule, both of which are on file with and approved by FERC. The demand charge paid by SCPC to Southern Natural under the FT rate schedule is set forth in Southern Natural's FERC Gas Tariff at the Sixtieth Revised Sheet No. 14, and the demand charge paid by SCPC to Southern Natural under the FT-NN rate schedule is set forth in Southern Natural's FERC Gas Tariff at the Sixtieth Revised Sheet No. 16. A copy of the Sixtieth Revised Sheet No. 14 is attached hereto as Attachment 1.5.1, and a copy of the Sixtieth Revised Sheet No. 16 is attached hereto as Attachment 1.5.2.

Pursuant to its contracts with Transco, SCPC pays a demand charge to Transco for firm transportation service in accordance with the Firm Transportation Service Rates Applicable to Transportation Rendered Pursuant to Rate Schedule FT and Part 284 of the Regulations of the FERC ("FT Rate Schedule"), and the Firm Transportation Service Rates Under Rate Schedule FT Applicable to SunBelt Expansion Project ("FT – Sunbelt"), both of which are on file with and approved by FERC. The demand charge paid by SCPC to Transco under the FT Rate Schedule is set forth in Transco's FERC Gas Tariff at Sub Twenty-Fifth Revised Sheet No. 40, Sub Twenty-Second Revised Sheet No. 40.01, Thirteenth Revised Sheet No. 40.02, Twenty-First Revised Sheet No. 40C, and Third Revised Sheet No. 41, a copy of which is attached hereto as Attachment 1.5.3. The demand charge paid by SCPC to Transco under the FT – Sunbelt rate schedule is set forth in Transco's FERC Gas Tariff at Sub Thirteenth Revised Sheet No. 40J, Sub Eleventh Revised Sheet No. 40J.01, Sub Eighth Revised Sheet No. 40J.02, and Fifth Revised Sheet No. 40J.03, a copy of which is attached hereto as Attachment 1.5.4.

In addition to the firm transportation service contracts that SCPC entered into with Southern Natural and Transco, SCPC has also entered into storage contracts with Southern Natural and Transco. Like the demand charges described above, FERC also regulates the storage contract rates paid by SCPC to Southern Natural and Transco. As set forth in Response Number 2 stated herein, SCPC entered into a storage contract with Southern Natural's Contract Storage Service, and the storage rate paid by SCPC to Southern Natural under this storage contract is set forth in Southern Natural's FERC Gas Tariff at the Sixth Revised Sheet No. 20, a copy of which is attached hereto as Attachment 1.5.5.

As stated in Response Number 2 herein, SCPC also entered into storage contracts with Transco. Specifically, SCPC entered into storage contracts with Transco's Washington Storage Service ("WSS"), General Storage Service ("GSS"), Eminence Storage Service ("ESS"), and Liquefied Natural Gas Storage Service ("LG-A"). The storage rate paid by SCPC to Transco under the storage contracts with GSS and LG-A is set forth in Transco's FERC Gas Tariff at the Thirty-Fifth Revised Sheet No. 27, a copy of which is attached hereto as Attachment 1.5.6. The storage rate paid by SCPC to Transco under the storage contracts with WSS and ESS is set forth in Transco's FERC Gas Tariff at the Seventeenth Revised Sheet No. 27A, a copy of which is attached hereto as Attachment 1.5.7.

Attachments 1.5.1 – 1.5.7 clearly reflect that the prices paid for transportation and storage services by SCPC were reasonable and prudent as the charges were paid in accordance with Southern Natural and Transco's FERC-approved tariffed rates.

As for the commodity charge that SCPC pays to its natural gas suppliers, SCPC has entered into blanket contracts with its natural gas suppliers. These contracts allow SCPC to make both spot gas purchases as well as longer-term gas purchases. As stated in Response Number 1 herein, prior to the beginning of the winter heating season, SCPC typically enters into firm long-term contracts with natural gas suppliers for its gas supplies. These contracts are generally based on a monthly spot index default with the option to negotiate a monthly price using various benchmark prices. The indices referenced in transaction confirmations under these contracts reflect prices determined and reported by third party publications (*e.g. Inside FERC Gas Market Report, Natural Gas Intelligence*) for gas supplies available to SCPC. Accordingly, the commodity charge represents the value of spot gas in the market.

As stated above, these blanket contracts also allow SCPC to make spot gas purchases, which are for a term generally less than a full month. Like the longer-term contracts, purchases of spot gas are also generally related to some third-party publication (*e.g. Gas Daily Average*) or transaction based software system (*e.g. Intercontinental Exchange System or ICE*). The use of such third-party publications and software systems provides for an independent framework and price transparency for costing gas under such purchases of spot gas.

A table of SCPC's commodity purchases from January 2003 – December 2003 as well as a table of certain published indices from January 2003 – December 2003 is attached hereto as Attachment 1.5.8. Attachment 1.5.8 clearly demonstrates that SCPC's actual commodity cost was reasonable and prudent as compared to the commodity price of gas based on first of the month and daily market index prices, as adjusted for the cost-adders.

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1-6. During the review period, did the Company purchase Put Options as a hedge against index natural gas prices being lower than delivered gas prices under certain fixed price contracts for the delivery of certain quantities of physical gas?

Response:

No.